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UNCLAS LIMA 005366

SIPDIS

E.O. 12958: N/A

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SUBJECT: ZEVALLOS SENTENCED 20 YEARS FOR DRUG TRAFFICKING
AND MONEY LAUNDERING

REF: LIMA 5011

1. On 12/9 the First Criminal Court of Lima found OFAC-designated Kingpin Fernando Zevallos guilty of drug trafficking, money laundering, and the receipt of stolen money. The court sentenced Zevallos to 20 years in prison and froze his assets to repay civil penalties of 100 million soles (approximately \$30M USD.) The decision noted that the rapid financial growth in Aerocontinente, the now defunct airline of which Zevallos was President, was supported by illegal funds. Zevallos has appealed the ruling to the Supreme Court. Zevallos is also charged in a separate case in an Iquitos court with drug trafficking and murder.

2. Eight other defendants were also found guilty of forming part of the "Los Nortenos" international drug ring. Chief among the other defendants was Herles Diaz Diaz sentenced to 30 years and Angel Penaloza Ortiz and Nelson and Ronald Diaz Diaz each sentenced to 25 years.

3. Leading dailies "La Republica" and "El Comercio" released on 12/14 copies of emails implicating various business leaders, politicians, police and judges in requests for favors from Aerocontinente in 2003 and 2004. The emails were reportedly divulged to the papers by the secretary of Lupe Zevallos, Fernando Zevallos' sister and titular head of Aerocontinente. The Office of Control of Magistrates (OCMA), the judiciary's internal disciplinary organ, on 12/14 initiated a preliminary investigation into judges receiving free or discounted tickets and favors from Aerocontinente. At the center of press reports of the OCMA investigation is the alleged go-between, Ruth Monge de Tambini, currently Chief Judge of the Fourth Criminal Court for Reserved Trials in Lima, who was a defense attorney for Aerocontinente from 1997 to 2004.

4. Comment: The judicial ruling against Zevallos is a major step forward in the fight against narcotrafficking, as well as in the battle to establish judicial integrity. The arrest (reftel) and prosecution of Zevallos is a result of extensive efforts by Post, specifically DEA-Lima, in coordination with Peruvian law enforcement and judicial authorities. These efforts have been strongly complemented by PAS Lima, which has worked to inform local and international reporting about Zevallos' operations and counter the public image of an honest and successful businessman which the now-convicted trafficker had assiduously cultivated for over a decade. The publication of the emails linking politicians, business leaders, and judges with Zevallos placed additional helpful pressure on the three judges deciding the case (Aldo Figueroa, Juan Quispe, Marco Lizarraga.) End Comment.

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